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INTRODUCTION

1. In my most recent report to the Security Council, on 19 November 1992 (S/24830), I recounted in considerable detail what had transpired in the joint meetings between the leaders of the two communities, which, having begun in the period from 12 to 14 August 1992, had continued at United Nations Headquarters in the period from 28 October to 11 November 1992.

2. It will be recalled that in the above-mentioned report, I indicated that, by prior agreement, the joint meetings during the period from 28 October to 11 November had focused on the Set of Ideas (S/24472, annex). I described in detail the respective positions of the two sides under each of the substantive headings of the Set of Ideas, as well as the reasons why progress had not been possible. I concluded, inter alia, that there was a deep crisis of confidence between the two sides and that therefore the prospects for progress would be greatly enhanced if a number of confidence-building measures were adopted by each side. The purpose of such measures, which I set out under eight headings, would be - through the creation of a new climate of confidence - to advance the goal of concluding an overall agreement on the basis of the entire Set of Ideas. I indicated that the time might have come to give fuller form to the earlier decision of the Security Council, reflected in its resolution 750 (1992) of 10 April 1992, to be seized of this matter "on an ongoing and direct basis".

3. In its resolution 789 (1992) of 25 November 1992, the Security Council endorsed the above-mentioned conclusions. The Council, inter alia, called upon all concerned to be prepared in the next round of talks to make decisions that would bring about a speedy settlement. The Council recognized that the completion of this process would be greatly facilitated by the implementation of measures designed to promote mutual confidence. It urged all concerned to commit themselves to a series of specific confidence-building measures; requested me to maintain such preparatory contacts as I considered appropriate before the scheduled resumption of the joint meetings in March 1993 and to propose for the Security Council's consideration revisions in the negotiating format to make it more effective; and requested me to provide a report to the Security Council after the conclusion of the joint meetings that would resume in March 1993.

I. THE EFFORT SINCE NOVEMBER 1992

4. On 18 March 1993, I informed the President of the Security Council in writing that, following the February 1993 elections in Cyprus, I had been in touch with the leaders of the two communities about the resumption of the process mandated by the Security Council and that the two leaders had accepted my invitation to come to New York for a one-day joint meeting with me on 30 March to discuss the timing, modalities and preparations for the resumption of substantive negotiations in pursuance of my mission of good offices as mandated by the Council.

5. On 26 March 1993, the President of the Security Council issued a statement (S/25478) on behalf of the members of the Council in which they, inter alia, reaffirmed once again that the present status quo was not acceptable and that a

mutually acceptable overall framework agreement should be achieved without delay on the basis of the Set of Ideas that had been endorsed by the Security Council; called on the leaders of the two communities to manifest their goodwill by cooperating fully with me so that significant progress might be made in the direct negotiations tnat were due to resume shortly; reaffirmed their determination to remain seized of the Cyprus question on an ongoing basis and to lend their active support to my effort; and requested that I report to the Security Council on the outcome of the 30 March joint meeting.

6. On 2 April 1993 I wrote to the President of the Security Council (S/25517) and reported on the outcome of my meetings with the leaders of the two communities. Referring to a public statement (S/25517, annex) that I had issued on 31 March, I informed the President that the two leaders had agreed to resume the joint negotiations on Monday, 24 May at United Nations Headquarters using the Set of Ideas for the purpose of reaching freely a mutually acceptable overall framework agreement; and that the above-mentioned resumption of joint negotiations would be preceded by a preparatory process in which my representatives would meet with them in Nicosia in order, first, to clarify and address the concerns of the two leaders related to the Set of Ideas with a view to facilitating progress at the resumed joint negotiations and, second, to discuss the implementation of confidence-building measures with a view to creating a new climate of confidence that would contribute to the success of the negotiating process.

A. Preparatory work in Nicosia

7. The preparatory process agreed to by the two leaders on 30 March 1993 was conducted in Nicosia by my Deputy Special Representative in the periods from 15 April to 5 May and from 14 to 19 May. During those four weeks, Mr. Feissel had a total of 34 meetings with the two leaders, amounting in duration to almost 50 hours. These extensive discussions made it possible to develop ample material to enable the two leaders first, to reach agreement on a list of confidence-building measures, including on Varosha and Nicosia International Airport; and second, to make progress towards reconciling differences on a number of substantive issues as part of the ongoing process to reach agreement on the draft framework contained in the Set of Ideas.

8. During the preparatory process in Nicosia, my Deputy Special Representative stressed to both leaders the need to identify, in the context of an integrated whole approach, issues in the Set of Ideas that were significant in themselves and where an accommodation, to be reached ad referendum, would bring benefits to both sides. Both leaders agreed to this approach. In the course of these meetings, encouraging ways of reconciling differences in three areas were discussed. The areas in question were (a) displaced persons/territorial adjustments; (b) security and guarantee; and (c) the workability of the federal Government.

9. None the less, both leaders indicated a preference to concentrate the preparatory discussions on confidence-building measures. This was done. Beginning with the measures that I had put forward in paragraph 63 of my report of 19 November 1992 (S/24830), there emerged gradually a significant number of confidence-building measures that both sides would be prepared to implement -

including the extending of the 1989 unmanning agreement to cover all areas of the United Nations-controlled buffer zone where the two sides are in close proximity to each other. These measures are set out in annex I to the present report.

10. In response to the wishes of the two leaders, a major portion of the discussions during the four weeks of preparatory work in Nicosia was devoted to securing agreement in respect of that part of Varosha that has been a ghost town since 1974 when it was fenced off by the Turkish Forces. It will be recalled that Security Council resolution 550 (1984) of 11 May 1984, inter alia, reserves Varosha exclusively for settlement by its pre-August 1974 inhabitants (preponderantly Greek Cypriots) and that the 1979 high-level agreement accorded high priority to resettling Varosha under United Nations auspices.

11. In the course of the preparatory discussion with the two leaders, it was recognized that the impact of an agreed arrangement concerning Varosha would be profound, but that such an arrangement could be achieved only if it was to benefit both sides in substantial measure. There was, as a consequence, much discussion of specific ways in which the benefits to accrue to the Turkish Cypriot side from an agreed arrangement concerning Varosha might be assured in practice. Draft provisions in respect of Varosha underwent successive adjustments as account was taken of many of Mr. Denktaş's proposals.

12. The Turkish Cypriot side stressed that the proposed arrangement whereby a significant area of Varosha would be placed under United Nations administration as a special area for bicommunal contact and trade would be insufficient compensation for relinquishing that area from its control. Mr. Denktaş took the position that adequate compensation should be provided by lifting the embargo that has been maintained on the Turkish Cypriot side. In particular, he called for Erçan (Tymbou) airport to be allowed to receive direct flights to and from European destinations and for the lifting of restrictions on seaports in the northern part of Cyprus.

13. My Deputy Special Representative underlined that, given the purpose of confidence-building measures, it was indispensable that neither side seek any political advantage or require the other side to make political concessions in this context. The benefits to accrue to each side would have to be significant in practical terms, but neither side should be asked to adopt measures that would require it, directly or indirectly, to change its position on the political status of the other. It was made clear that the United Nations would none the less try very hard to secure agreement on a package, the practical effect of which would be to lift most of the commercial obstacles encountered by the Turkish Cypriot side.

14. Against this background, as the preparatory discussions progressed in Nicosia, Mr. Denktaş mentioned the idea that Nicosia International Airport might be reopened for the equal benefit of both sides. In the latter part of the preparatory discussions in Nicosia it became clear that the two leaders were prepared to consider a package deal including both Varosha and the reopening of Nicosia International Airport for unhindered international traffic of passengers and cargo to and from each side. It will be recalled that Nicosia International Airport is located in the United Nations Protected Area on the western outskirts of Nicosia and has been out of use since 1974. Detailed provisions were drafted

in this connection also and these were gradually adjusted in the light of views expressed by each leader.

15. There thus emerged from the preparatory process in Nicosia three draft papers: (a) a list of 14 confidence-building measures; (b) detailed provisions concerning Varosha; and (c) detailed provisions concerning Nicosia International Airport.

16. The two leaders agreed that the joint meetings due to resume on 24 May in New York would be devoted in the first instance to an effort to reach agreement on confidence-building measures, in particular on Varosha and Nicosia International Airport, and that the aforementioned papers would serve as the basis for the discussion, whose objective clearly would be to reach an agreement. It was taken that the first 12 measures listed in annex I were acceptable to both sides.

B. Joint meetings in New York

17. The joint meetings resumed under my chairmanship at United Nations Headquarters on Monday, 24 May 1993. I was joined by Mr. Joe Clark, my newly appointed Special Representative. In the period up to 1 June, a total of six joint meetings took place. In addition, a joint working session was chaired by my Special Representative and numerous meetings were held with the respective delegations.

18. In conformity with what had transpired during the preparatory process in Nicosia, the two leaders confirmed their wish to devote their effort in the first instance to reaching an agreement on the Varosha and Nicosia International Airport package. They were each given the three papers whose contents had emerged from the preparatory meetings in Nicosia and with which both sides were entirely familiar before their arrival in New York.

19. The discussions from 24 May to 1 June revealed that the Greek Cypriot side was agreeable to the arrangements proposed for Varosha and Nicosia International Airport, provided that no provisions were added that would have the effect, directly or indirectly, of recognizing the "Turkish Republic of Northern Cyprus".

20. The Turkish Cypriot side stated that the placing of Varosha under United Nations administration was a major concession on its part, for which the establishment of Varosha as a special area for bicommunal contact and commerce, even when supplemented with the reopening of Nicosia International Airport, represented an inadequate recompense. The Turkish Cypriot side repeated that a proportionate compensation would be the removal of the embargo against the Turkish Cypriot side through the lifting of all restrictions on airports and seaports on the Turkish Cypriot side. Specifically, it was stated that the airline operated by the Turkish Cypriot side should be able to fly from Erçan (Tymbou) airport directly to destinations in Western Europe and that restrictions should be lifted from Famagusta port.

21. In this connection, I and my colleagues conferred at length with the President of the Council of the International Civil Aviation Organization (ICAO)

and his Legal Counsel. It emerged that since international flights take place in the framework of air service agreements that are concluded exclusively between States, it did not seem possible, without recognizing a Turkish Cypriot State, to envisage the kind of arrangements related to Erçan (Tymbou) airport and the Turkish Cypriot airline that had been requested by the Turkish Cypriot side. I would like to express my gratitude to Mr. Assad Kotaite, President of the Council of ICAO, for the valuable technical assistance provided by his organization.

22. Mr. Denktaş suggested that practical ways could be found to facilitate agreement on the use of Erçan (Tymbou) airport without implying recognition by the Greek Cypriot side of the "TRNC" authorities. Mr. Denktaş put forward, as an example, an arrangement that had been made earlier in 1993 concerning flights to and from Taiwan by a United Kingdom-registered airline. However, when the details of that arrangement were examined, it became evident that the Turkish Cypriot side would be unwilling to accept such an arrangement mutatis mutandis in the case of Cyprus.

23. With regard to the request by Mr. Denktaş that the Turkish Cypriot Airline be allowed to fly directly to destinations in Western Europe, it emerged that the airline known as Cyprus Turkish Airlines is, in fact, an airline registered in Turkey. A further effort was made to accommodate the position of Mr. Denktaş and, during discussion, it was agreed that Nicosia International Airport would be open to foreign airlines, and that airlines registered in the Republic of Turkey would enjoy the same rights.

24. Also in respect of Nicosia International Airport, Mr. Denktaş had emphasized the importance of receiving assurances that, if an agreement was reached providing for the unhindered flow of persons and goods, the Greek Cypriot side would not impede its implementation through any kind of harassment, including negative publicity or legal action. The Greek Cypriot side agreed that both sides would commit themselves to take no action of any kind that would in any way prevent, or adversely affect, the free movement of people or goods through Nicosia International Airport to and from both sides; that the United Nations would be empowered to look into any complaints brought forward by either side; and that both sides would agree to implement the United Nations recommendations.

25. As regards Varosha, the Turkish Cypriot side stated that it would wish to exclude a significant part of the northern end of the fenced area of Varosha from the area that would come under United Nations administration. The excluded area would be the part of the fenced area that lies to the north of Dhimokratias Street. Mr. Denktaş explained that he would wish to retain this section so that it could serve as a security buffer between the United Nations-administered area and the port of Famagusta. He added that he would wish to settle the retained section with Turkish Cypriots, in anticipation of the territorial arrangement that would be part of an ultimate overall settlement of the Cyprus problem. He stated that that was the position that had been put forward by the Turkish Cypriot side in 1981 as part of its proposal for a territorial adjustment in the context of an overall settlement.

26. I and my colleagues gave serious consideration to the views expressed by the two sides. Once again, the proposed arrangements were adjusted, with the

agreement of Mr. Clerides, (a) to take account of the security concerns that had been put forward by Mr. Denktaş, inter alia through a phased implementation of the proposals concerning Varosha, and (b) to overcome existing economic obstacles and provide to the Turkish Cypriot side the same benefits at Nicosia International Airport that they wished to have at Erçan (Tymbou) airport, through a provision that would open Nicosia International Airport to Turkish-registered airlines and through a prohibition on any action by the authorities of either side that would in any way impede or prevent the implementation of any of the arrangements included in the package.

27. By the evening 27 May 1993, I was of the opinion that, in view of the extensive preparatory work that had been undertaken in Nicosia and the further work accomplished with the two leaders in New York, the time had come when the two leaders could be asked to confirm their agreement to the basic principles concerning Varosha and Nicosia International Airport. I indicated that, upon receiving a positive response from both sides, the United Nations, in consultation with the two sides, would work out in Nicosia the detailed arrangements for implementation by agreed dates of the agreed provisions on Varosha and Nicosia International Airport.

28. At the joint meeting that took place on Friday, 28 May, I asked both leaders to give their considered positions on the three papers, as supplemented during the joint meetings in New York. Mr. Denktaş indicated that, before he could give his response, he would have to consult with his "Government" and "Parliament" as well as with the Government of Turkey. He said that he would wish to leave New York for Cyprus and Turkey and that, because of the imminent Bayram festival, he could not return to United Nations Headquarters before 21 June. It was my view that, since all the issues contained in the three papers had been extensively discussed during four weeks of preparatory talks in Nicosia and since all the adjustments made in New York had been in response to further points put forward by Mr. Denktaş, it was not clear why further prolonged consultations elsewhere were necessary. Mr. Denktaş then proposed to return by 15 June. I concluded that, in the circumstances, it would be reasonable to expect Mr. Denktaş to complete his consultations in Nicosia and Ankara within a week and to be in a position after such a recess to return to the table to present a conclusive response. I proposed accordingly that Mr. Denktaş leave New York forthwith and return by Friday, 4 June. Mr. Clerides, for his part said that he would be willing to await the return of Mr. Denktaş to New York on Friday, 4 June. When Mr. Denktaş maintained his position that it would take time to arrange such consultations and that that required several weeks, I concluded that it was necessary for this development to be considered in the presence of the President of the Security Council and the representatives of its permanent members.

29. On 1 June 1993, in the presence of the President of the Security Council and the representatives of its permanent members, a further joint meeting of the two leaders was chaired by my Special Representative. Mr. Clark read out on my behalf a statement that reviewed the events described in the preceding paragraphs and that contained the following conclusions:

> "First, the package of confidence-building measures that had emerged from the four weeks of preparatory talks in Nicosia and the discussions of the preceding week in New York was eminently fair. It contained

significant and proportionate economic and other practical benefits for both sides;

Second, the package required neither side to compromise on its substantive political positions;

Third, the package contained no surprises. All of its elements had been dealt with exhaustively during an intensive preparatory process in Nicosia. Therefore, both sides should have been able to complete the work in New York and to reach an agreement here;

Fourth, if further consultations were indeed necessary, the parties should be able to come back to the table in no more than one week's time with considered definitive positions on whether the package was acceptable to them. It would be my expectation that any consultations which Mr. Denktaş might undertake would be to promote the acceptance of the package that had emerged over the preceding weeks;

Fifth, the two leaders owed it to their people and to the international community - which has devoted so much time and resources to the Cyprus problem - to manifest their commitment and goodwill by taking the modest step proposed. It involved no risk, but would be likely to have a dramatic impact in overcoming the existing mistrust between the two communities and in facilitating the achievement at long last of an overall settlement."

30. The representatives of the five permanent members of the Security Council each made statements in specific support of the proposals related to Varosha and Nicosia International Airport and called for prompt acceptance of these proposals.

31. Mr. Denktaş then reiterated his desire to undertake consultations in Nicosia and Ankara. He stated that he would return to New York on 12 June, in time for a resumption of the joint meetings no later than 14 June. He also undertook that the purpose of his consultations in the region would be to promote acceptance of the Varosha/Nicosia International Airport package as it had emerged in New York. On this explicit understanding, reached in the presence of the President of the Security Council and the representatives of the permanent members, it was agreed that the joint meetings would resume in New York no later than Monday, 14 June. That agreement is reflected in a public statement that I issued immediately after the joint meeting of 1 June, the text of which is set out in annex II to the present report.

C. Developments since 1 June 1993

32. Mr. Denktaş returned to Nicosia on 3 June. He visited Ankara from 8 to 11 June and, while there, he addressed the Turkish Grand National Assembly on 10 June. During this period, Mr. Denktaş made numerous public statements. Upon his arrival at Ankara airport on 8 June he expressed strong criticism of the Varosha/Nicosia International Airport package, stating that he would be obliged to reject the package if pressed to give a positive or negative reply. In his address to the Turkish Grand National Assembly on 10 June, Mr. Denktaş repeated

his strong criticism of the package and declared that, under the circumstances, he saw no point in returning to New York. He described the proposed package in a manner that would suggest that the benefits of the proposal were not fully recognized. He added that he would send his colleague Mr. Atakol to New York to convey to the United Nations a number of questions that he had in mind concerning the package and to receive answers thereto. He concluded that he would then be able to make an assessment of the situation. This address and other public statements by Mr. Denktaş have not conformed with his undertaking on 1 June to promote the acceptance of this package.

33. Public statements by the President and the Acting Prime Minister of Turkey indicated that the Government of Turkey supported the Varosha/Nicosia International Airport package and encouraged its acceptance. This position was also reflected in a letter that the Foreign Minister of Turkey addressed to me on 11 June on behalf of President Demirel.

34. On 11 June, my Deputy Special Representative was informed by the representative in New York of the Turkish Cypriot community that Mr. Denktaş, his prior agreement notwithstanding, would not be in New York for the joint meetings that had been scheduled to resume no later than 14 June. Instead Mr. Atakol would be in New York on that date to explain the situation and to pose a number of questions on behalf of Mr. Denktaş. I informed Mr. Clerides that, in view of the unilateral action by Mr. Denktaş, the 14 June joint meeting of the two leaders could not take place as had been agreed. On 12 June, I issued a public statement in which I expressed regret that Mr. Denktaş had departed unilaterally from the agreement that had been reached on 1 June. I added that, in light of this new, regrettable development, I would submit a report forthwith to the Security Council.

35. On 14 and 15 June, Mr. Atakol met with my Deputy Special Representative in New York and conveyed the position of Mr. Denktaş that, for the Varosha/Nicosia International Airport package to be acceptable, the northern part of Varosha, northwards from Dhimokratias Street, must remain with the Turkish Cypriot side. That, said Mr. Atakol, was the "bottom line". In addition, he said that all embargoes would have to be lifted from air and seaports in the northern part of the island. Mr. Atakol added that whether Mr. Denktaş came to New York would depend on what the Secretary-General might decide in light of the evaluation that the Secretary-General would make of the above-mentioned message from Mr. Denktaş. Contrary to the public statement of Mr. Denktaş, Mr. Atakol did not ask any other questions relating to the package.

II. THE PACKAGE

A. Varosha

36. This proposal pertains to the fenced area of Varosha, which is located to the south of Famagusta on the east coast of Cyprus. The fenced area is some distance to the north of the United Nations buffer zone. It is surrounded on three sides by land that is under Turkish Cypriot control and, on the fourth side, to the east, by the sea. It extends for a distance of some 4 kilometres north-south, and some 1.5 kilometres east-west. The fenced area comprises only a small part of the whole of Varosha. It has been a "ghost town" since

August 1974 when it was fenced off by the Turkish Forces. The United Nations has since then held the Turkish Forces, and therefore the Government of Turkey, responsible for the maintenance of the status quo in the fenced area. In resolution 550 (1984), the Security Council declared that that area could be settled only by its original inhabitants.

37. The proposal concerning Varosha, as supplemented in the New York discussions, is that the fenced area would be placed under United Nations administration as from an agreed date, pending a mutually agreed overall solution to the Cyprus problem. It would be a special area for bicommunal contact and commerce, a kind of free-trade zone in which both sides could trade goods and services.

38. In detail, the proposal provides for the following:

- In administering the fenced area (the Area), the United Nations could enlist the advice and assistance of both sides. The United Nations would be responsible for the security of the Area. The costs of the administration and security of the Area would be borne locally in an agreed manner;

- The Area would be opened in two stages. In stage one, that part of the fenced area to the south of Dhimokratias Street would be opened, two months after being placed under United Nations administration, for rehabilitation, the owners of property in that part could reclaim possession of their property and bicommunal contact would be initiated in line with the provisions of the two subparagraphs immediately hereunder. In stage two, beginning at an agreed date, the same arrangements would be applied to the part of the fenced area to the north of Dhimokratias Street;

- The Area would have a special character for intercommunal contact and trade. The Chambers of Commerce and Industry of both sides would assist the United Nations administration in the Area in developing and implementing intercommunal trade for the benefit of both communities. In addition, organizations of both communities selected by the United Nations would assist the United Nations administration in the Area in developing and implementing intercommunal contact;

- Greek Cypriots and Turkish Cypriots would be able to enter the Area freely and without any formality. They could engage in commercial activities, including the sale of products, produce and services brought there from their respective sides. Those who wished to establish commercial enterprises in the Area and who do not own property in the Area would be provided premises on the basis of long-term leasing and the construction of new premises;

- The Chambers of Commerce and Industry of the two sides would together identify, develop and promote joint ventures between Greek Cypriots and Turkish Cypriots. Arrangements would be made to facilitate the financing of such projects through loans, loan guarantees, etc.;

- The unhindered travel of foreign visitors provided for in the arrangements concerning Nicosia International Airport (see para. 43 below) could be exercised through Varosha. Foreign visitors in the south would be able to

travel unhindered from the southern part of the island to the northern part of the island through the Area;

- The laws to be applied in the Area would be those that were in force in Cyprus on 1 December 1963. Cases involving persons from both communities would be heard jointly by a Greek Cypriot and a Turkish Cypriot magistrate designated by their respective communities;

- Pending a mutually agreed overall settlement, the above arrangements could not be amended in any way without the consent of both sides and of the United Nations administration in the Area. Either side could address to the United Nations any complaint about the implementation of the above arrangements by the other side. The United Nations administration in the Area would consider the matter without delay. The two sides would be obligated to implement the recommendations of the United Nations promptly and in good will;

- These arrangements would be implemented without prejudice to the respective positions of both sides on an overall settlement of the Cyprus problem.

39. The arrangements foreseen have important benefits for both sides and for the reconciliation of the two communities, while involving no real sacrifice for either, since the fenced area is all but uninhabited and is the responsibility of the Government of Turkey, and the area in question would not be placed under the control of either side.

40. The main benefit of the proposed arrangements for the Greek Cypriot side is that the owners of property in the area that would come under United Nations administration would be able to reclaim possession of their property and rehabilitate it.

41. The Turkish Cypriots would derive major benefits from guaranteed opportunities to engage freely in trade and other business activities in Varosha, including the sale of products and services brought in from their side, and to this end they would be assured premises on the basis of long-term leasing and the construction of new premises. The Turkish Cypriot community would have an equal opportunity to benefit from the commercial possibilities in the special area, including direct employment and other economic activity during and after its reconstruction. In addition, the Turkish Cypriot economy would benefit from direct access to the economy of the Greek Cypriot side. It should also be noted that Varosha is located only a few miles from an area in the south that attracts approximately 1 million foreign tourists each year and is equally close to an area in the north that is replete with important tourist attractions, including the city of Famagusta. It can therefore be expected that a significant number of overseas tourists would wish to travel from the south to the north through Varosha.

B. Nicosia International Airport

42. The proposal on Nicosia International Airport, as supplemented in New York, would open the airport for the equal benefit of both sides.

43. In detail, the proposal provides for the following:

- Nicosia International Airport (the Airport) would be opened for civilian passenger and cargo traffic under the administration of the United Nations in cooperation with ICAO as from an agreed date and pending a mutually agreed solution to the Cyprus problem;

- Traffic rights at the Airport would be limited to foreign airlines that have traffic rights in Cyprus. Such rights would be enjoyed by airlines registered in the Republic of Turkey;

- Landing charges for the Airport would be arranged by the United Nations/ICAO in such a way as not to affect adversely existing agreements with other airports in Cyprus;

- There would be free access to and from the Airport from both sides;

- Foreign visitors who entered Cyprus through Nicosia International Airport could, during their stay on the island, travel unhindered between the two sides;

- In administering and operating the Airport, the United Nations/ICAO could enlist the advice and assistance of both sides;

- The United Nations/ICAO would be responsible for the security of the Airport;

- The costs of making the Airport operational and of its administration, operation and security would be borne locally in an agreed manner;

- Both sides would commit themselves to take no action of any kind to prevent or adversely influence the free movement of people or goods through Nicosia International Airport. In this connection, either side could address to the United Nations administration of the Airport any complaint concerning the implementation of this commitment. The United Nations Airport administration would consider the matter without delay and the two sides would commit themselves to implement promptly and in good will the recommendations that administration might make in the matter;

- These arrangements would be implemented without prejudice to the respective positions of both sides on an overall settlement of the Cyprus problem.

44. The reopening of Nicosia International Airport in the manner set out above would have a profound impact on the economic situation of the Turkish Cypriot community. It would provide a direct link with the economies of other countries. The Turkish Cypriot community would be able to export products and produce direct to overseas markets and to import in a similar manner. In addition, the way would be open for it to attract a significant direct flow of foreign tourists to the northern part of the island. It would also enable Turkish Cypriots to travel overseas unhindered, direct from Nicosia.

III. OBSERVATIONS

45. The intensive effort undertaken with both leaders since mid-May has created a major opportunity to make significant progress which, I am convinced, would move the Cyprus problem substantially closer to an overall solution. All concerned have a special responsibility to bring this effort to a positive conclusion.

46. In my report of 19 November 1992 (S/24830), I had concluded, and my conclusion was shared by the Security Council and indeed by all parties concerned, that the prospects for progress would be greatly enhanced if a number of confidence-building measures were adopted by both sides. At the outset of the talks in New York, the two leaders agreed that, while sight should by no means be lost of the substantive issues involved in an overall framework agreement, the objective of the joint meetings would be to seek agreement on a package of confidence-building measures, in particular measures to reactivate Varosha and Nicosia International Airport, which have lain idle and unused for nearly 20 years. As I stated to the two leaders in my opening remarks on 24 May, I was particularly gratified that, during their four weeks of preparatory discussions in Nicosia, they were able to bring these proposals to such an advanced stage.

47. As I have described in some detail in the present report, the Varosha/Nicosia International Airport package would bring considerable and proportionate benefits to both communities. For the Turkish Cypriot side, it would mean the lifting for all practical purposes of the economic obstacles that have been weighing so heavily on their community, especially as regards overseas travel and trade, and the development of a significant tourist industry. For the Greek Cypriot side, it would open the way for owners of property in the fenced area of Varosha to reclaim possession of their property and start using it again.

48. The advantages of this package for the two communities would go beyond the important economic gains that each side would receive. It would open avenues of contact between the two communities that would give each the opportunity to manifest its goodwill towards the other and to lay the foundation for the kind of relationship that should exist in a federation. I am convinced that acceptance of this package would help to overcome the existing mistrust between the two communities and would serve as a catalyst for our ongoing effort to achieve, as an integrated whole, a just, durable and mutually agreed overall settlement on the island.

49. I am disappointed that, despite the assurances he gave on 1 June in the presence of the President of the Security Council and the representatives of its five permanent members, Mr. Denktaş did not promote the acceptance of the package during his consultations in Nicosia and Ankara. I also deeply regret that Mr. Denktaş failed to honour the agreement of 1 June to resume the joint meetings on 14 June.

50. I remain hopeful that, once the benefits of the package are fully presented, its merits will yet commend themselves to all concerned, for its implementation would, without doubt, constitute the most important forward step in Cyprus in almost two decades. In this connection, it has been a source of

some encouragement to me that the Government of Turkey has expressed public support for the package and has encouraged its acceptance.

51. I am confident that implementation of the present confidence-building package would be followed before long by significant progress on the substance of an overall framework agreement. On the other hand, I fear that, if we do not achieve an agreement on the package, the effort to seek an overall settlement to the Cyprus problem will suffer a major setback. I therefore intend to maintain my efforts to reach agreement on the Varosha/Nicosia International Airport package without delay. To this end, I have asked my Special Representative to visit Cyprus, Greece and Turkey in the next few weeks.

Annex I

Confidence-building measures

- Expert cooperation on the short-term and long-term water problem in Cyprus, in particular increasing the water supply.

- Expert cooperation on education, in particular to promote intercommunal harmony and friendship.

- Joint cultural and sports events, including the joint use of the Cetinkaya field in the buffer zone near the Ledra Palace Hotel.

- Meetings of political party leaders of both sides.

- Journalists of both sides may cross the lines by only showing their press identification cards issued by the United Nations. Open joint journalist meeting room at the Ledra Palace Hotel.

  Meetings of the Chambers of Commerce and Industry of both sides to identify and develop joint commercial projects.

- International assistance shall benefit the two communities in an equitable manner.

- Expert cooperation in areas such as health and the environment.

- Cooperative arrangements on electricity, taking into account that the electric generator in the north will come on stream soon.

- Intercommunal cooperation in Pyla, including the free movement of goods in the same manner as agreed in Varosha.

- Cooperation between the representatives of the Greek Cypriot and Turkish Cypriot communities of Nicosia to identify and implement joint projects for the benefit of both sides in Nicosia.

- Cooperation with UNFICYP in extending the unmanning agreement of 1989 to cover all areas of the United Nations-controlled buffer zone where the two sides are in close proximity to each other.

- Varosha (see paras. 37 and 38 above).

- Nicosia International Airport (see paras. 42 and 43 above).

- Representatives of the two communities will meet periodically to propose additional confidence-building measures for implementation by both sides.

Annex II

Statement made to the press on 1 June 1993 on the Joint Meetings with the leaders of the two communities in Cyprus

In the absence of the Secretary-General, Mr. Joe Clark, the Special Representative of the Secretary-General for Cyprus, chaired a Joint Meeting this evening with the leaders of the two communities in Cyprus. The President of the Security Council and the representatives of the permanent members of the Security Council were also present.

Mr. Clark opened the meeting by reviewing the discussions that had taken place over the past week and by conveying the Secretary-General's assessment. The representatives of the permanent members of the Security Council then each made a statement in specific support of the Secretary-General's proposals related to Varosha and Nicosia International Airport and called for prompt acceptance of these proposals. Statements were then made by the leaders of the two communities in Cyprus.

Mr. Denktaş repeated his wish to undertake consultations in Cyprus and with the Government of Turkey. On the explicit undertaking by Mr. Denktaş that the purpose of his consultations would be to promote acceptance of the proposals on Varosha and Nicosia International Airport, it was agreed that the joint meetings would resume no later than Monday, 14 June, in order to reach a rapid and clear decision on these two confidence-building measures.